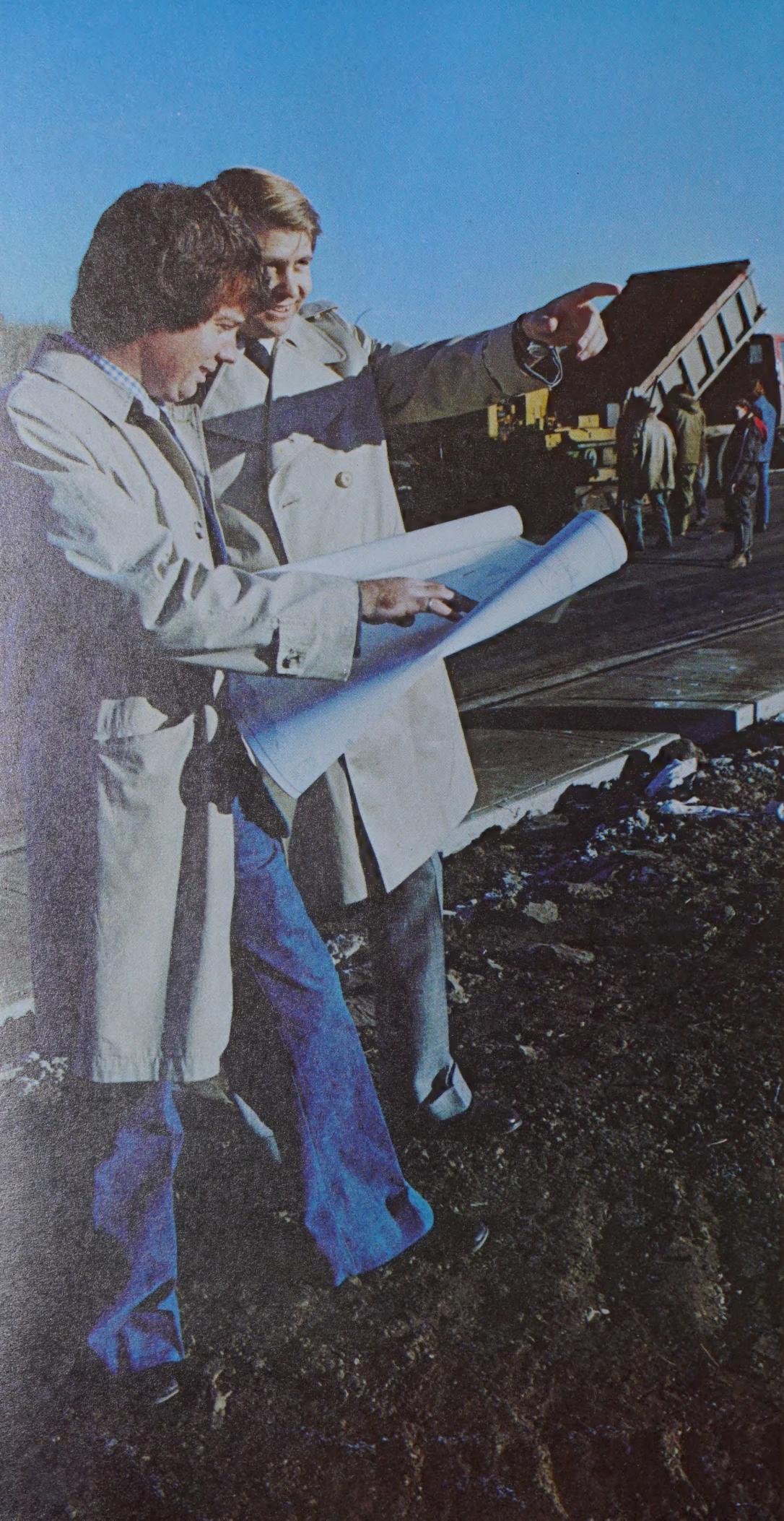


REAL ESTATE BROKERAGE
LAND DEVELOPMENT
RESIDENTIAL CONSTRUCTION
REVENUE PROPERTIES

MELTON REAL ESTATE LTD. ANNUAL REPORT 1974



Net Acreage of Land in Inventory

■ Option Portion of Gross Acreage

4,000

3,000

2,000

1,000

0

3700
2980

2684
2400

3335
2044

1159
1173

1333
1173

1970 1971 1972 1973 1974

Number of Lots Sold

1,000

800

600

400

200

0

905
362

490
586

586
166

1970 1971 1972 1973 1974

Gross Revenue In Thousands of dollars

8,000

6,000

4,000

2,000

0

7966
5205

3382
3013

3013
749

1970 1971 1972 1973 1974

R. Young, Vice President, Land Division (right)
P. Daly, Manager (left)

Land development

The land development division creates communities by acquiring land, obtaining development approvals, arranging for the installation of services and having the lots sold to home builders in Edmonton, Calgary and Kamloops. While development activity declined in 1974, the division continued to earn the largest percentage of the company's income.

Through the first half of 1974, strong demand for serviced land pulled prices to record levels which coupled with previously fixed service contracts and agreements produced increased profit margins. During the latter half of 1974, demand for serviced land fell off sharply. This situation compounded by the unavailability of reasonable servicing contracts and increased difficulties in obtaining development approvals resulted in the postponement of several development programs.

Development activities in the Edmonton region centered in Spruce Grove, Leduc and west Edmonton, where subdivision plans were approved subject to development agreements. The rapid industrial expansion occurring in northern Alberta places us in a good position to meet the anticipated increased demand for housing in 1975.

In Spruce Grove subdivision approval was received for Millgrove, a 160 acre residential community, where a 60 acre grove of spruce trees will be dedicated to the Town for parks and recreation. The outline plan for the 116 acre Grove Industrial Park had been approved and negotiations are underway to commence development. Servicing of the Woodhaven community was completed and the sale of 174 of the residential lots was finalized. Mayor K. E. Howery and President W. G. Holmes officially opened the Brookwood Recreational Facility prior to year end at which time Mr. Holmes presented a cheque covering the majority of construction costs. A comprehensive and unique planning study, including demographics, land use, housing form, engineering, environmental aspects, financial analysis and public participation, has been undertaken to support the company's petition for the annexation of its remaining land holdings to the Town. The annexation petition will be heard in 1975.

A five year development program in the Town of Leduc was completed with the completion of servicing and sales in the Corinthia Park community. Subdivision approval for the first stage of the South Park development in Leduc was also achieved with servicing and marketing to commence in 1975.

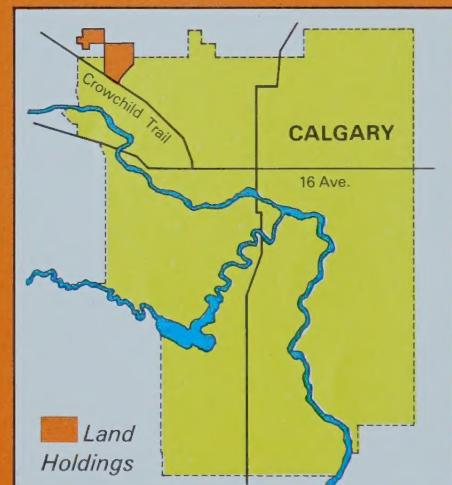
During 1974, developments in the Primrose and Westridge communities in Edmonton were completed by Lamb Holdings, a joint venture in which the company is a participant. Lot sales commenced in Westridge with remaining sales anticipated for early 1975 for these higher priced exclusive residential sites. Although subdivision approval was received for Lamb Holdings' 110 acre Lymburn development in Edmonton the concept is being reviewed to meet changing market conditions.

Activities in the Calgary Region included the development and sale of the remaining West Dalhousie land inventory of 162 single family lots and the planning and commencement of the approval process for Aspen Village, the first community in the Crowchild Sector of north west Calgary. A major planning study undertaken jointly with other land owners of Calgary's north west Sector was completed and submitted to the City and Local Authorities Board. This study supported the City of Calgary's annexation petition which included the Company's land holdings adjacent to the City limits. Although refused by the Board, an appeal by the City was successful and new hearings have been scheduled for March, 1975. The City is considering a design brief outlining a proposal to develop parts of the Crowchild sector presently within the City in which the company controls the majority of the land.

In Kamloops servicing in the Bachelor Hills development was completed. An inventory of 103 residential lots was carried over to 1975 as a result of the weakened demand for new homes and a softening of the British Columbia economy.

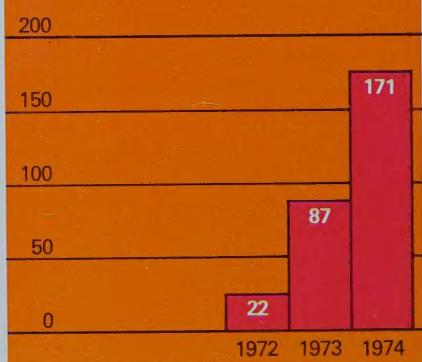
During 1974, the division acquired for future development 166 acres in Spruce Grove for residential housing, 400 acres ten miles south of Edmonton which is approved for country residences and 22 acres adjoining other company land for future industrial development in the County of Strathcona. An option on 225 acres in the County of Parkland for possible country residential development was not exercised because of anticipated problems in obtaining subdivision approval.

We continue to hold our option to purchase one third of the residential lots in 550 acres within the Riverbend/Terwillegar Heights community in south west Edmonton. This land is optioned at prices substantially lower than current market values and development may commence in 1976.

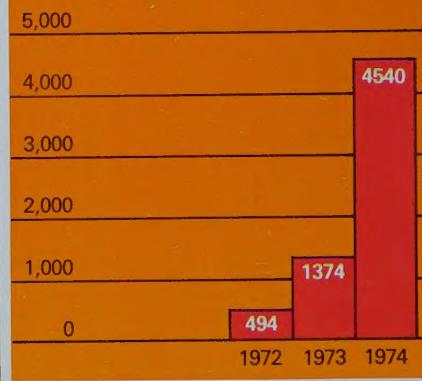




Housing Starts



Gross Revenue *In Thousands of dollars*



Residential construction

Melton Homes continued its expansion in 1974. Housing starts increased from 87 in 1973 to 171 in 1974 and sales closings increased from 40 to 99. The number of personnel increased from nine to twenty-three during the year and we are pleased that all new personnel are experienced in the home building industry. Late in 1974 we commenced construction of twenty-five homes in Regina where the market for new homes has been very strong.

During the early months of 1974 when the demand for housing was at its peak we could not obtain an adequate supply of serviced lots. Later in the year the spiraling costs

of construction, mortgage funds and land reduced buyer interest and restricted the number of people who could qualify for the higher carrying costs of home ownership. Although these conditions reduced our anticipated level of activity in 1974 we have built a viable home construction division which will continue to expand and increase its contribution to the profits of the company.

For 1975 there is an increase in the availability of serviced lots, mortgage rates have declined and we anticipate a year of continued growth in our market areas of Edmonton, Calgary and Regina.



T. H. Smith, General Manager, Residential Construction
with Regional Managers

Revenue properties

During 1974 the division's activities were limited to finalizing improvements on our most recent major acquisition, Country Lane, and the expansion of the Melton Building and improving the occupancy rates in all properties. Present occupancy rates on our residential properties are over 97%, and on our commercial properties are 93%. The Melton Building is 75% leased. A fifteen suite apartment building was sold during the year.

With the Melton Building coming on stream at the beginning of this year and a full year's operations from Country Lane, rental revenues will substantially increase in 1975 and with a reduction in administration expenses a profit is anticipated. Construction has commenced on a 12,000 sq. ft. regional shopping centre in Leduc, Alberta and plans for additional developments are being studied.

EXISTING INCOME PROPERTY PORTFOLIO

Residential:

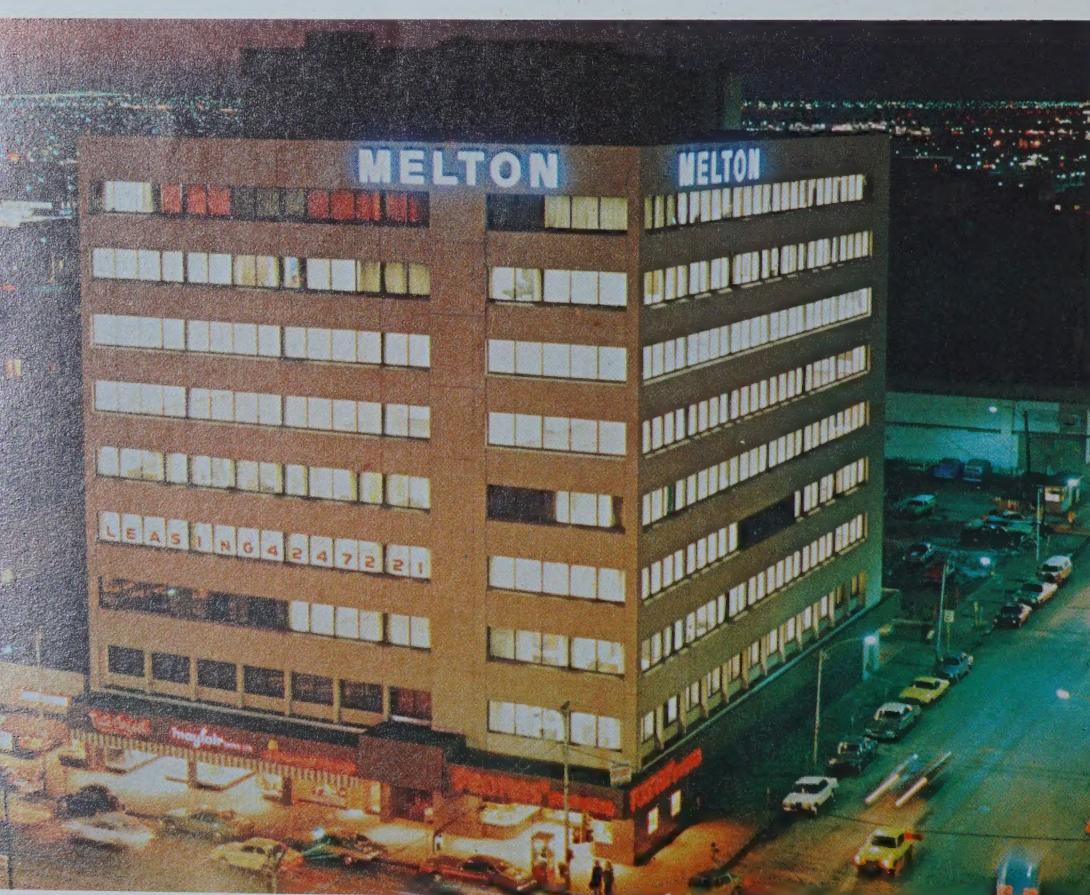
Sherbrooke Court (Edmonton) 14 units
10 Arlington (Spruce Grove) 10 units
Swan Hills Apartment (Swan Hills) . 12 units
Hillington Court (Edmonton) 102 units
Brookwood Manor (Spruce Grove) . 24 units
Country Lane (Edmonton) 283 units

TOTAL. 445 units

Commercial and Office:

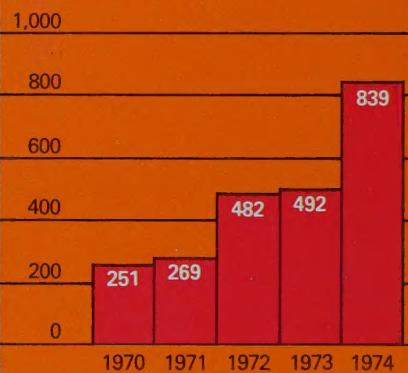
Melton Building (Edmonton) . 116,700 sq. ft.
Kingsway Building (Edmonton) . 7,000 sq. ft.
Dominion Building (Edmonton) . 9,500 sq. ft.
Grove Plaza (Spruce Grove) . . 40,000 sq. ft.

TOTAL 173,200 sq. ft.

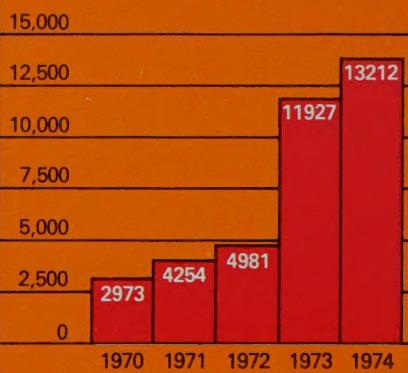


Melton Building — Edmonton, Alberta

Gross Income from Revenue Properties
In Thousands of dollars



Gross Investment in Revenue Properties
In Thousands of dollars



Melton Real Estate Ltd. and subsidiary companies
Financial statements
for the year ended December 31, 1974

Auditors report

To the Shareholders of
Melton Real Estate Ltd.

We have examined the consolidated balance sheet of Melton Real Estate Ltd. and its subsidiaries as at December 31, 1974 and the consolidated statements of income and retained earnings and source and use of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the source and use of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Willits Maenahan & Company

Chartered Accountants

EDMONTON, Alberta,
March 5, 1975.

Consolidated balance sheet

ASSETS	1974	1973
Cash	—	271,250
Commissions and Sundry Receivables	1,640,805	1,495,006
Income Taxes Recoverable	—	208,528
Agreements Receivable on Real Estate Sales	2,865,602	4,899,212
Mortgages Receivable	1,146,062	1,065,121
Real Estate for Development and Sale — Note 2	18,550,305	12,841,228
Revenue Properties — Note 3	13,212,484	11,927,330
Fixed Assets — Note 4	370,259	190,762
Deferred Costs, Prepaid Expenses and Sundry Assets	148,398	59,527
Goodwill — Note 5	74,181	74,181
	<hr/> <u><u>\$38,008,096</u></u>	<hr/> <u><u>\$33,032,145</u></u>

APPROVED ON BEHALF OF THE BOARD:

W. G. Holmes, C.A. *Director*

W. C. Willetts, C.A. *Director*

LIABILITIES AND EQUITY	1974	1973
Bank Indebtedness — Note 6	4,968,997	4,000,000
Accounts Payable	2,040,380	2,038,849
Due to Joint Ventures — Note 7	97,761	158,897
Provision for Real Estate Development Costs	906,951	2,987,280
Income Taxes Payable	567,971	—
Agreements Payable on Real Estate for Development and Sale — Note 8	11,071,907	6,856,109
Mortgages and Agreements Payable on Revenue Properties — Note 9	8,988,422	8,599,620
Debentures — Note 10	555,750	833,625
Deferred Income Taxes — Note 11	2,302,579	1,886,751
	<u>31,500,718</u>	<u>27,361,131</u>
Share Capital — Note 12	1,736,813	1,666,343
Retained Earnings — Note 13	4,770,565	4,004,671
	<u>6,507,378</u>	<u>5,671,014</u>
	<u>\$38,008,096</u>	<u>\$33,032,145</u>

Commitments — Note 18

Consolidated statement of income and retained earnings

	1974	1973
Income		
Gross revenue from commissions and fees	9,773,770	7,412,907
Land sales	3,368,013	6,596,965
House sales	4,539,638	1,374,519
Revenue property income	839,130	491,783
Net income from joint ventures	320	139,227
Interest on agreements receivable	380,810	181,844
Mortgage interest and discounts	178,504	99,366
Other income	136,501	79,791
	<u>19,216,686</u>	<u>16,376,402</u>
Expenses		
Commissions	6,096,988	4,670,300
Cost of land sales	1,413,935	4,452,522
Cost of house sales	4,052,730	1,220,008
Revenue property operating expenses	374,005	205,215
Depreciation	159,269	106,740
Interest — Note 14	848,000	467,849
Operating and administrative — Note 15	4,017,569	2,526,875
	<u>16,962,496</u>	<u>13,649,509</u>
Income before income taxes	<u>2,254,190</u>	<u>2,726,893</u>
Income taxes — Note 11		
Current	774,100	334,469
Deferred	415,828	1,001,533
	<u>1,189,928</u>	<u>1,336,002</u>
Net income for the year	<u>1,064,262</u>	<u>1,390,891</u>
Retained earnings, beginning of the year	<u>4,004,671</u>	<u>2,759,219</u>
	<u>5,068,933</u>	<u>4,150,110</u>
Dividends	<u>298,368</u>	<u>145,439</u>
Retained earnings, end of the year	<u><u>\$ 4,770,565</u></u>	<u><u>\$ 4,004,671</u></u>
Earnings per share — Note 17		

The accompanying notes form an integral part of these financial statements.

Consolidated statement of source and use of cash

	1974	1973
Source of Cash		
Operations	1,647,519	2,480,334
Reductions in agreements receivable on real estate sales	2,033,610	—
Bank loans	650,000	4,000,000
Funds withdrawn from joint ventures	—	218,091
Agreements payable on real estate for development and sale	4,649,975	2,164,826
Mortgages and agreements payable on revenue properties	608,771	5,835,047
Share capital issued	70,470	79,310
Decrease in net operating assets	540,876	—
	10,201,221	14,777,608
Use of Cash		
Increase in mortgages receivable	86,617	345,665
Increase in agreements receivable on real estate sales	—	2,710,115
Increase in inventory of real estate for development and sale, less change in provision for real estate development costs	7,789,406	2,975,273
Additions to revenue properties	1,346,693	6,993,303
Additions to fixed assets	277,227	51,333
Funds advanced to joint ventures	61,136	—
Payments on agreements payable on real estate for development and sale	434,177	1,167,213
Payments on mortgages and agreements payable on revenue properties	219,969	43,625
Debenture repayment	277,875	277,875
Dividends	298,368	145,439
Increase in net operating assets	—	31,133
	10,791,468	14,740,974
Increase (decrease) in cash	(590,247)	36,634
Cash, beginning of the year	271,250	234,616
Cash (bank overdraft), end of the year	\$ (318,997)	\$ 271,250

The accompanying notes form an integral part of these financial statements.

Notes to consolidated financial statements

1 – ACCOUNTING POLICIES

The company follows the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies.

(a) Principles of Consolidation

The consolidated financial statements include the accounts of Melton Real Estate Ltd. and all of its subsidiary companies as follows:

	% Ownership
Melton Real Estate (B.C.) Ltd.	100
Melton Homes Ltd.	100
Trans-Canada Mortgage Ltd.	100
Trans-Canada Joint Mortgages Corporation Ltd.	98
Dollard & Gallagher Ltd.	100

The minority shareholders' equity in the net assets of Trans-Canada Joint Mortgages Corporation Ltd. is not significant and has been included in accounts payable on the consolidated balance sheet.

(b) Joint Ventures

Joint ventures in which the company has less than a 50% interest are accounted for on the equity basis.

(c) Land Development

(i) Cost of Land Held for Future Development

The following costs are capitalized as a part of the cost of land:

- Real estate taxes
- Interest on debt specifically related to the acquisition of the land
- Interest on general debt deemed applicable to the investment in land
- Direct costs such as commissions, legal fees, and preliminary engineering costs

(ii) Land Under Development

- The cost of the land is pro-rated to each phase of a project on an acreage basis.
- The total costs of each phase of a project are allocated to individual lots on the anticipated selling price basis.
- The unexpended portion of the estimated servicing costs, shown on the balance sheet as "Provision for Real Estate Development Costs", is recorded as a liability at the time the first sales from the phase are recorded.

- Whenever an estimate is known to be materially different from the actual costs incurred, an adjustment is made to the cost of the lots and the liability for estimated completion costs.

(iii) Recognition of Income

The company recognizes income on sale of land when 15% of the sale price has been received and the sale is unconditional.

(d) Houses Under Construction

(i) Cost of Land

The following costs are capitalized as part of the cost of the land:

- Real estate taxes
- Interest on debt specifically related to the acquisition of the land
- Direct costs such as commissions, legal fees, and other carrying costs

(ii) Construction Costs

The following costs are included in construction costs:

- Interest on debt specifically related to the construction
- Materials, subcontract costs, direct labor and other direct development costs not including administrative overhead

(e) Revenue Properties

(i) Cost of Revenue Properties Under Development

The following costs are capitalized as part of the cost of the property until a 75% level of occupancy is achieved subject to a reasonable maximum period dependent upon the size of the project:

- Interest on debt specifically related to the development of the property
- Interest on general debt deemed applicable to the investment in the development
- Operating income and expenses
- Construction costs and other direct development costs

Initial leasing costs are capitalized until the property is fully rented.

Notes to consolidated financial statements

(ii) Cost of Land Held for Future Development

The following costs are capitalized as part of the cost of the land:

- Real estate taxes
- Interest on debt specifically related to the acquisition of the land
- Interest on general debt deemed applicable to the investment in the property
- Direct costs such as commissions, legal fees, and other carrying costs

(f) Depreciation Policy

The company depreciates buildings using a 5% sinking fund method based on an estimated useful life of 50 years (35 years for frame construction). Other assets are depreciated using either the declining balance or straight-line method depending on the type of asset and its estimated useful life.

2 — REAL ESTATE FOR DEVELOPMENT AND SALE

	1974	1973
Land held for future development	1	
Land cost	8,677,263	7,712,669
Options	66,616	51,616
Carrying costs and pre-development costs	<u>1,087,456</u>	<u>386,606</u>
	<u>9,831,335</u>	<u>8,150,891</u>
Land developed or under development		
Land cost	473,035	540,826
Carrying costs	97,433	34,413
Development costs	<u>1,072,245</u>	<u>2,530,860</u>
	<u>1,642,713</u>	<u>3,106,099</u>
Houses under construction		
Land inventory	3,801,010	679,966
Construction costs	<u>2,429,524</u>	<u>533,872</u>
	<u>6,230,534</u>	<u>1,213,838</u>
Property for resale	<u>845,723</u>	<u>370,400</u>
	<u><u>\$18,550,305</u></u>	<u><u>\$12,841,228</u></u>

The majority of the land held for future development has been acquired by agreement for sale. Title to this land will be obtained when payment on these agreements is made.

The total cost of the land held under option will be \$3,535,000 when the options are exercised.

The company also has a contingent asset arising from agreements which give the company the right to purchase one-third of the residential lots to be derived from the future subdivision of 550 acres of land in the City of Edmonton at a fixed price substantially lower than the present market value.

3 — REVENUE PROPERTIES

	1974	1973
Revenue properties		
Land	1,000,159	403,271
Buildings and equipment	<u>7,313,341</u>	<u>3,498,567</u>
	<u>8,313,500</u>	<u>3,901,838</u>
Accumulated depreciation	<u>195,668</u>	<u>146,383</u>
	<u>8,117,832</u>	<u>3,755,455</u>
Construction in progress		
Land	456,830	1,093,560
Construction costs	<u>3,668,156</u>	<u>6,463,239</u>
	<u>4,124,986</u>	<u>7,556,799</u>
Land held for future development	<u>969,666</u>	<u>615,076</u>
	<u><u>\$13,212,484</u></u>	<u><u>\$11,927,330</u></u>

4 — FIXED ASSETS

Fixed assets are recorded at cost less accumulated depreciation of \$273,120 (1973 - \$192,860).

5 — GOODWILL

Goodwill is the excess of the cost of the company's investment in consolidated subsidiaries over the value of the subsidiaries' tangible assets at the time of purchase.

6 — BANK INDEBTEDNESS

The company's bank loans are secured by a fixed charge on certain revenue properties, a general assignment of accounts receivable and a floating charge over other assets of the company.

Notes to consolidated financial statements

7 — DUE TO JOINT VENTURES

The company's proportionate share of the assets and liabilities of joint ventures at December 31 of each of the following years was:

	1974	1973
Assets		
Cash	1,806	12,182
Agreements receivable on real estate sales	19,878	166,465
Real estate for development and sale — at cost	101,640	320,497
	123,324	499,144
Liabilities		
Bank loan	—	136,625
Accounts payable	278	1,858
Income taxes payable	2,899	2,422
Provision for real estate development costs	217,908	517,136
	221,085	658,041
Due to joint ventures	\$ 97,761	\$ 158,897

The liability to the joint ventures arises from the company's withdrawal of land for which a liability for completion of servicing remained in the joint venture.

The company is contingently liable for the total liabilities of the joint ventures in the amount of \$923,231; however, the total assets of the joint ventures are sufficient for satisfaction of these liabilities.

8 — AGREEMENTS PAYABLE ON REAL ESTATE FOR DEVELOPMENT AND SALE

Agreements payable on land held for future development	9,000,708
Mortgage advances on houses under construction	2,071,199
	\$11,071,907

Principal payments due within the next five years on agreements payable are as follows:

	Agreements on Land Held for Development	Agreements on Residential Lot Inventory	Total
1975	559,968	1,661,672	2,221,640
1976	683,703	—	683,703
1977	644,500	—	644,500
1978	608,336	—	608,336
1979	556,774	—	556,774
Subs.	4,285,755	—	4,285,755
	\$7,339,036	\$1,661,672	\$9,000,708

Average Annual
Interest Rate 5.4% 9.9% 6.3%

Principal payments in excess of the amounts due will be made as title is required to initiate development of the various properties.

9 — MORTGAGES AND AGREEMENTS PAYABLE ON REVENUE PROPERTIES

Principal payments due within the next five years are as follows:

	Mortgages on Revenue Properties	Mortgages on Properties Under Development	Agreements on Land Held For Development	Total
1975	52,162	36,569	112,250	200,981
1976	56,834	22,844	—	79,678
1977	61,927	25,071	—	86,998
1978	67,484	27,515	—	94,999
1979	73,056	30,199	—	103,255
Subs.	5,843,136	2,579,375	—	8,422,511
	\$6,154,599	\$2,721,573	\$112,250	\$8,988,422

Average Annual
Interest Rate 9.2% 9.2% 10.0% 9.2%

Notes to consolidated financial statements

10 — DEBENTURES

The 10% Series A debentures are secured by a deed of trust and mortgage containing a first floating charge on the undertaking and all the property and assets of the company. The principal of each debenture will mature in annual installments on July 31 of 1975 and 1976.

The debentures are redeemable by the company prior to maturity in whole or in part at 101% of the principal amount plus accrued interest to the date of final redemption, if redeemed prior to July 31, 1975.

The company has the right to purchase the debentures in the market or by private contract at prices not to exceed 101% of the principal amount plus accrued interest and cost of purchase.

11 — DEFERRED INCOME TAXES

On a cumulative basis income taxes payable have been reduced by \$2,302,579 as a result of the following:

	1974	1973
Deferring profits on the sale of real estate for tax purposes	496,017	781,003
Interest and property taxes on real estate for development and sale deducted for tax purposes	233,187	165,327
Depreciation deducted for tax purposes in excess of the amount recorded in the accounts	1,014,570	682,658
Interest, property taxes and development costs on revenue properties deducted for tax purposes	508,953	259,459
Other items	49,852	(1,696)
	<u><u>\$2,302,579</u></u>	<u><u>\$1,886,751</u></u>

12 — SHARE CAPITAL

Authorized — 3,000,000 shares of no par value

	Shares	Consideration
Issued		
December 31, 1973	2,101,703	1,666,343
Warrants converted	14,500	21,750
Employee stock purchases	16,800	48,720
December 31, 1974	<u><u>2,133,003</u></u>	<u><u>\$1,736,813</u></u>

Reserved

For share purchase warrants	591,400
For employee stock purchases	83,200
	<u><u>674,600</u></u>

Bearers of share purchase warrants may purchase common shares of the company as follows:

\$1.75 to August 31, 1975
\$2.00 to August 31, 1976

Agreements with employees which provide for the purchase of 53,200 shares provided certain conditions are met are outstanding. The consideration for these shares will be the market value of the shares at the time the agreements were approved.

13 — DIVIDEND RESTRICTIONS

The indenture under which the 10% Series A debentures were issued provides that so long as any debentures are outstanding, the company will not pay any dividends which would have the effect of reducing consolidated retained earnings below \$1,438,901.

14 — INTEREST

	1974	1973
Debenture interest and amortization of deferred costs	74,117	103,279
Bank loan interest	540,639	152,378
Interest on mortgages and agreements payable on revenue properties	864,324	300,806
Interest on agreements payable on real estate for development and sale	400,185	260,518
	<u><u>1,879,265</u></u>	<u><u>816,981</u></u>
Less interest capitalized		
Revenue properties under construction	492,657	88,614
Real estate for development and sale	487,439	260,518
Revenue property land held for future development	51,169	—
	<u><u>1,031,265</u></u>	<u><u>349,132</u></u>
	<u><u>\$ 848,000</u></u>	<u><u>\$ 467,849</u></u>

Notes to consolidated financial statements

15 – OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses are comprised of the following items:

	1974	1973
Brokerage operating, selling and administrative expenses	2,799,997	1,906,272
Land development administrative expenses	203,489	122,536
House construction administrative expenses	338,174	97,069
Revenue property administrative expenses	130,493	77,878
Mortgage services administrative expenses	49,451	19,465
General corporate expenses	495,965	303,655
	<u>\$4,017,569</u>	<u>\$2,526,875</u>

16 – REMUNERATION TO DIRECTORS AND OFFICERS

Remuneration paid during the year to directors and senior officers of the company amounted to \$140,800 (1973 - \$105,600).

17 – EARNINGS PER SHARE

	1974	1973
Basic earnings per share	50c	67c
Fully – diluted earnings per share	41c	53c

Basic earnings per share have been calculated using the weighted monthly average number of shares outstanding.

Fully-diluted earnings per share have been calculated assuming that all warrants outstanding had been exercised at the beginning of the year and the funds received invested at an annual return of 12% (1973 - 10%) before income taxes.

18 – COMMITMENTS

The company is lessee under certain lease agreements of terms to ten years with annual rental payments of approximately \$242,000.

19 – TRUST FUNDS

The company has under its administration trust assets totalling \$4,239,184 (1973 - \$5,246,758) which are not reflected in the financial statements.

Five year review

FINANCIAL POSITION	1974	1973	1972	1971	1970
Commissions and sundry receivables	\$ 1,641	\$ 1,495	\$ 738	\$ 574	\$ 355
Agreements receivable	2,866	4,899	2,189	1,925	271
Mortgages receivable	1,146	1,065	700	920	1,403
Real estate for development and sale	18,550	12,841	7,615	2,752	1,799
Revenue properties	13,212	11,927	4,981	4,254	2,973
Other assets	593	805	617	648	596
Total Assets	38,008	33,032	16,840	11,073	7,397
Bank indebtedness	4,969	4,000	—	380	189
Accounts payable and other liabilities	2,705	2,197	1,091	571	620
Provision for real estate development costs	907	2,987	736	1,329	193
Agreements payable — real estate for development and sale	11,072	6,856	5,859	428	577
Mortgages payable — revenue properties	8,988	8,600	2,808	2,859	1,675
Debentures	556	834	1,112	1,112	600
Deferred income taxes	2,303	1,887	888	624	255
Share capital	1,737	1,666	1,587	1,580	1,577
Retained earnings	4,771	4,005	2,759	2,190	1,711
Total Liabilities and Equity	38,008	33,032	16,840	11,073	7,397
OPERATIONS					
Gross revenue from commissions and fees	9,774	7,413	4,819	3,467	2,367
Land sales	3,368	6,597	3,047	2,800	623
House sales	4,540	1,374	494	—	—
Revenue property income	839	492	482	269	251
Interest on agreements receivable	380	182	183	94	52
Mortgage interest and discounts	178	99	117	112	130
Joint ventures and other income	137	220	231	222	155
Total Income	19,216	16,377	9,373	6,964	3,578
Commissions	6,097	4,670	2,926	2,089	1,430
Cost of land sales	1,414	4,453	2,104	2,178	505
Cost of house sales	4,053	1,220	425	—	—
Revenue property operating expense	374	205	244	102	84
Depreciation	159	107	83	29	21
Interest	848	468	349	160	133
Administrative and other expense	4,017	2,527	1,638	1,283	900
Total Expenses	16,962	13,650	7,769	5,841	3,073
Income taxes	2,254	2,727	1,604	1,123	505
Net Income	1,064	1,391	840	581	269
STATISTICAL					
Shares issued — end of year (000's)	2,133	2,102	2,041	2,036	2,034
Earnings per share — basic	\$.50	\$.67	\$.41	\$.29	\$.13
— fully diluted	\$.41	\$.53	\$.32	\$.23	\$.13
Cash flow per share	\$.77	\$ 1.21	\$.55	\$.49	\$.16
Dividends per share	\$.14	\$.07	\$.06	\$.05	\$ —

Data in thousands of dollars except where otherwise indicated.

Figures for years prior to 1972 have been restated to reflect accounting policies adopted in 1972.

Financial review

Because the company is involved in five major activities, the financial information supplied in aggregate terms does not provide sufficient information to enable an understanding of the contributions of each activity to the company as a whole.

In the following schedules, net income before tax has been calculated for each division by deducting from the revenues of the division all direct costs and administrative expenses which can be specifically attributed to the division. Common costs which have not been allocated are the cost of corporate debt -\$437,500 (1972 -\$217,000) and general cor-

porate expenses (such as audit, public relations and corporate donations, directors fees and senior management expenses, etc.) The allocation of these costs on an arbitrary basis to the divisions would not assist in the evaluation of the divisional contributions.

The cash flow from operations by division has been calculated by taking the after-tax contribution to net income of each division and adjusting for non-cash items such as deferred income taxes and depreciation.

Earnings — By Division

In thousands of dollars

	1974			1973		
	Gross Revenue	Net Income	%	Gross Revenue	Net Income	%
Brokerage	\$ 9,694	\$ 769	21.4	\$ 7,355	\$ 761	20.8
Land Development	5,205	2,581	71.8	7,966	2,643	72.4
Construction	4,540	149	4.1	1,374	57	1.6
Revenue Properties	839	(156)	(4.3)	587	21	.6
Mortgage	229	182	5.1	138	119	3.3
Other Income	137	70	1.9	80	48	1.3
	20,644	3,595	100.0	17,500	3,649	100.0
Elimination of Inter-Division Transactions	1,427	420		1,124	329	
	\$ 19,217	3,175		\$ 16,376	3,320	
Common Costs		921				593
		2,254				2,727
Income Taxes		1,190				1,336
		\$ 1,064				\$ 1,391

Cash Flow From Operations — By Division

In thousands of dollars

	1974		1973	
	After-Tax Cash Flow	%	After-Tax Cash Flow	%
Brokerage	\$ 390	23.7	\$ 441	17.8
Land Development	850	51.6	1,785	72.0
Construction	66	4.0	29	1.2
Revenue Properties	575	34.9	400	16.1
Mortgages	92	5.6	45	1.8
Other	29	1.7	24	.9
Common Costs	(354)	(21.5)	(244)	(9.8)
Total cash flow from operations	\$ 1,648	100.0	\$ 2,480	100.0

Divisional operating review

	1974	1973	1972	1971	1970
Brokerage					
Commissions earned	\$ 9,694	\$ 7,355	\$ 4,772	\$ 3,444	\$ 2,341
Commissions paid	6,097	4,670	2,926	2,089	1,430
Operating, selling and administrative expenses	2,828	1,924	1,199	997	610
	<u>8,925</u>	<u>6,594</u>	<u>4,125</u>	<u>3,086</u>	<u>2,040</u>
Net income before taxes	\$ 769	\$ 761	\$ 647	\$ 358	\$ 301
Land Development					
Land sales	\$ 4,737	\$ 7,652	\$ 3,047	\$ 2,775	\$ 623
Cost of sales	2,421	5,248	2,104	2,178	505
	<u>2,316</u>	<u>2,404</u>	<u>943</u>	<u>597</u>	<u>118</u>
Interest earned	439	182	183	94	52
Joint venture income	—	113	136	130	50
Other income	29	67	16	14	24
	<u>2,784</u>	<u>2,766</u>	<u>1,278</u>	<u>835</u>	<u>244</u>
Administrative expenses	203	123	66	46	26
Net income before taxes	<u>\$ 2,581</u>	<u>\$ 2,643</u>	<u>\$ 1,212</u>	<u>\$ 789</u>	<u>\$ 218</u>
Construction					
House sales	\$ 4,540	\$ 1,374	\$ 494		
Cost of sales	4,053	1,220	425		
	<u>487</u>	<u>154</u>	<u>69</u>		
Administrative expenses	338	97	62		
Net income before taxes	<u>\$ 149</u>	<u>\$ 57</u>	<u>\$ 7</u>		
Revenue Properties					
Rental income	\$ 839	\$ 492	\$ 482	\$ 269	\$ 251
Operating expenses	374	205	244	103	84
Interest	409	236	234	80	87
Depreciation	70	47	43	11	9
	<u>853</u>	<u>488</u>	<u>521</u>	<u>194</u>	<u>180</u>
Net operating income	(14)	4	(39)	75	71
Gain (loss) on sale of properties	(12)	95	(10)	—	32
	<u>(26)</u>	<u>99</u>	<u>(49)</u>	<u>75</u>	<u>103</u>
Administrative expenses	130	78	47	22	16
Net income before taxes	<u>\$ (156)</u>	<u>\$ 21</u>	<u>\$ (96)</u>	<u>\$ 53</u>	<u>\$ 87</u>
Mortgage					
Interest and discounts	\$ 186	\$ 97	\$ 93	\$ 113	\$ 112
Gain (loss) on foreclosed property	(6)	3	24	(10)	(5)
Fees earned	51	38	30	9	3
	<u>231</u>	<u>138</u>	<u>147</u>	<u>112</u>	<u>110</u>
Administrative expenses	49	19	20	20	18
Net income before taxes	<u>\$ 182</u>	<u>\$ 119</u>	<u>\$ 127</u>	<u>\$ 92</u>	<u>\$ 92</u>

Management

DIRECTORS:

S. M. Beckhuson

Vice President, Trans Canada Joint Mortgages Corporation Ltd.

W. G. Bennett, F.R.I.

Vice President-Brokerage, Melton Real Estate Ltd.

G. R. Brosseau, Q.C., B.A., L.L.B.

Senior Partner, Brosseau Maccagno

D. A. Carlson, P.Eng.

President, A. V. Carlson Construction Ltd.

W. G. Holmes, C.A.

President, Melton Real Estate Ltd.

Senator E. C. Manning, P.C., C.C.

President, M & M Systems Research Ltd.

T. C. Melton, B.Comm.

Vice President, Melton Real Estate Ltd.

J. R. Sherrin

Secretary, Melton Real Estate Ltd.

W. C. Willetts, C.A.

Chairman of the Board, Melton Real Estate Ltd.

OFFICERS AND SENIOR MANAGEMENT:

W. C. Willetts, C.A.

Chairman of the Board

W. G. Holmes, C.A.

President

T. C. Melton, B.Comm.

Vice President

J. R. Sheard, C.A.

Treasurer

J. R. Sherrin

Secretary

W. G. Bennett, F.R.I.

Vice President, Real Estate Brokerage

T. H. Smith

General Manager, Residential Construction

R. B. Young, P.Eng., M.B.A.

Vice President, Land Development



Corporate directory

EDMONTON

Corporate Head Office

President
Treasurer
Real Estate Brokerage
Land Development
Revenue Properties
Residential Construction
Mortgage
Controller
Controller
Data-Processing Manager
Advertising &
Public Relations

Real Estate Brokerage
Regional Manager
Residential Sales Manager
New Home Sales
Commercial & Industrial
Leasing
Property Management
Appraisal
Jasper Place Branch
Glenora Branch
North West Branch
Norwood Branch
North East Branch
South East Branch
South West Branch
University Branch
St. Albert Branch
Sherwood Park Branch
Spruce Grove Branch

10310 Jasper Ave. 429-6931

W. G. Holmes
J. R. Sheard
W. G. Bennett
R. Young
T. Melton
T. Smith
D. Holthuysen
G. Wooldridge
D. Robarts
G. Hill
L. Allard

10310 Jasper Ave. 424-7221

H. Dundas
D. Clark
D. Garrison
B. Ellis
J. Rose
B. Matheson
J. Spitzner
K. McCoy
B. Atkins
G. MacTaggart
M. Hayden
S. Dudar
T. Henderson
R. Cherot
I. McKinnon
P. Connor
G. Moshansky
B. Marlin

CALGARY

Land Development
Residential Construction

Real Estate Brokerage
Regional Manager
Commercial
New Home Sales
Property Management
North West Branch
North Hill Branch
South West Branch
MacLeod Trail Branch
South Central Branch
East Branch
Southland Branch

1220 Kensington Rd., N.W.
283-4917

D. Kelly
O. Harasym
534 - 8th Ave., S.W. 266-8671
G. Phelps
T. Heisler
J. Palmer
W. Butler
D. Danilowich
R. Reidel
D. Grant
B. Reid
G. Curtis
R. Murray
R. Blaker

RED DEER

Real Estate Brokerage
Manager

4809 - 48th Ave.
D. Trueman 346-8931

SASKATOON

Real Estate Brokerage
Regional Manager
Nutana Branch

119 - 23rd St., E. 653-3636
M. Damberger
R. Sigurdson

REGINA

Real Estate Brokerage
Regional Manager
Commercial
North Branch

2032 Rose St. 522-2633
A. Sims
J. Craig
L. Krug

WINNIPEG

Real Estate Brokerage
Regional Manager
Commercial
Portage Avenue Branch
River Heights Branch
North Winnipeg Branch
North East Branch

One Lombard Concourse 942-3131
T. Zaharko
H. Friesen
G. Cooper
J. Schmidt
R. Bryk
K. Page

VANCOUVER

Real Estate Brokerage
Regional Manager
Sales Manager
Conveyancing
Property Management
Kingsway Branch
North Vancouver Branch
Coquitlam Branch
Surrey Branch
Burnaby Branch
Kerrisdale Branch

1435 Kingsway 879-7571
W. Mooney
K. Shearer
M. Cowan
T. Easton
B. Nelson
G. Goldman
L. Ferster
R. Richardson
M. Radunz
B. Merrin

VICTORIA

Real Estate Brokerage
Manager

912 Douglas St. 386-7551
B. Hutchinson

KAMLOOPS

Real Estate Brokerage
Manager

523 Seymour St. 374-1461
A. Morency

KELOWNA

Real Estate Brokerage
Manager

243 Bernard Ave. 762-4919
J. Fewell

